

STATE RETIREMENT SYSTEM
2000-2005 EXPERIENCE STUDY

Summary of Assumptions

The selection of the actuarial assumptions reflects a work in progress. The assumptions shown here will first be used in the January 1, 2008 actuarial valuation. However, we will continue to test and refine the assumptions in future years.

In this section, we show sample rates for each assumption. A rate essentially represents the likelihood of an event occurring at a given time. For example, the mortality rates represent the likelihood of death. The complete tables for Group specific assumptions are shown in the Appendix.

Assumptions Common to All Groups

1. Rate of Investment Return: Currently the rate is 8.25% annually. This assumption is determined by the legislature and was not reviewed as part of this study.
2. Pre-Retirement Mortality: Current rates of mortality are in accordance with the RP-2000 Employees table projected 10 years with Scale AA. Based on our analysis, the pre-retirement mortality rates will not change.
3. Post-Retirement Mortality: Current rates of mortality are in accordance with the RP-2000 Healthy Annuitant table projected 10 years with Scale AA. For disabled members, current rates are in accordance with the RP-2000 table set forward 3 years for males. Based on our analysis, the post-retirement mortality rates will not change, but we will continue to monitor this assumption closely.

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Summary of Assumptions (continued)

Group 1 – Specific Assumptions:

1. Rates of Retirement: An accurate analysis of the retirement rates could not be performed because of the ERIs that were adopted during 2002 and 2003. Thus the Group 1 retirement rates did not change.

2. Rates of Disability: The following table shows that the proposed disability rates are less than the current rates. It is also assumed that the percentage of job-related disabilities is 75% (increased from 55%).

Age	Current	Proposed
20	.00030	.00010
30	.00033	.00010
40	.00091	.00075
50	.00168	.00140
60	.00250	.00200

3. Rates of Withdrawal: Current rates are age and service based for the first 10 years of service and age based after 10 years. The proposed rates will remain age and service based for the first 10 years and age based after 10 years. The proposed rates are higher than the current rates.

Age	Current (0 years)	Current (5 years)	Current (after 10 years)	Proposed (0 years)	Proposed (5 years)	Proposed (after 10 years)
20	.180	.100	.045	.270	.120	.060
30	.150	.090	.041	.230	.100	.055
40	.125	.070	.031	.160	.080	.040
50	.100	.048	.021	.140	.060	.030

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Summary of Assumptions (continued)

Group 1 – Specific Assumptions (continued):

4. Rate of Salary Increase: The following table compares current and proposed salary increase rates. The proposed rates are lower than the current rates before 5 years of service and the proposed ultimate rate is lower than the current ultimate rate. Overall, the proposed rates decrease total plan cost.

Service	Current	Proposed
0	8.50%	8.00%
5	6.00%	6.00%
10	4.75%	5.25%
15	4.75%	5.00%
20+	4.75%	4.50%

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Summary of Assumptions (continued)

Group 2 - Specific Assumptions:

1. Rates of Retirement: An accurate analysis of the retirement rates could not be performed because of the ERIs that were adopted during 2002 and 2003. Thus the Group 2 retirement rates did not change.
2. Rates of Disability: The following table compares the proposed disability rates and the current rates. The proposed rates are the same as the current rates through age 45 and are higher thereafter. It is also assumed that the percentage of job-related disabilities is 75% (increased from 55%).

Age	Current	Proposed
20	.00060	.00060
30	.00080	.00080
40	.00166	.00166
50	.00260	.00425
60	.00350	.00550

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Summary of Assumptions (continued)

Group 2 - Specific Assumptions (continued):

3. Rates of Withdrawal: Current rates are age and service based rates for the first 10 years of service and age based after 10 years. The proposed rates will remain age and service based for the first 10 years and age based after 10 years. The proposed rates are higher than the current rates. The proposed rates are the same as the Group 1 rates.

Age	Current (0 years)	Current (5 years)	Current (after 10 years)	Proposed (0 years)	Proposed (5 years)	Proposed (after 10 years)
20	.180	.100	.045	.270	.120	.060
30	.150	.090	.041	.230	.100	.055
40	.125	.070	.031	.160	.080	.040
50	.100	.048	.021	.140	.060	.030

4. Rate of Salary Increase: The following table compares current and proposed salary increase rates. The proposed rates are lower than the current rates before 5 years of service and the proposed ultimate rate is lower than the current ultimate rate. Overall, the proposed rates decrease total plan cost.

Service	Current	Proposed
0	8.50%	8.00%
5	6.00%	6.00%
10	4.75%	5.25%
15	4.75%	5.00%
20+	4.75%	4.50%

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Summary of Assumptions (continued)

Group 3 – Specific Assumptions:

1. Rates of Retirement: The following table compares current and proposed retirement rates. The proposed rates are the same as the current rates for ages less than 55 and at ages 58 to 59 and age 64. The proposed rates are slightly higher at ages 60 and 61 and less at the other ages.

Age	Current	Proposed
45	.020	.020
50	.050	.050
52	.075	.075
55	.110	.080
58	.110	.110
60	.100	.110
62	.250	.150
65	.500	.250
68	.500	.250
70	1.000	1.000

2. Rates of Disability: The following table compares the current and the proposed disability rates. The proposed rates are the same as the current rates until age 32 and from ages 56-59. The proposed rates are less than the current rates for ages 60 and over. The proposed rates are greater at most other ages. It is also assumed that the percentage of job-related disabilities is 95% (increased from 90%).

Age	Current	Proposed
20	.00100	.00100
30	.00160	.00160
40	.00753	.00800
50	.01559	.01400
60	.02000	.03000

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Summary of Assumptions (continued)

Group 3 - Specific Assumptions (continued):

3. Rates of Withdrawal: Current rates are strictly service based. The proposed rates will remain service based. The proposed rates are the same as the current rates for years of service 0 - 9 and less thereafter.

Service	Current	Proposed
0-4	.008	.008
5-9	.008	.008
10-14	.009	.006
15+	.009	.006

4. Rate of Salary Increase: The following table compares current and proposed salary increase rates. For most years of service, the proposed rates are lower than the current rates and the proposed ultimate rate is lower than the current ultimate rate.

Service	Current	Proposed
0	9.50%	8.00%
5	7.00%	7.00%
10	5.75%	5.25%
15	5.50%	5.25%
20+	5.50%	5.00%

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Summary of Assumptions (continued)

Group 4 – Specific Assumptions:

1. Rates of Retirement: The following table compares current and proposed retirement rates. Generally, the proposed rates reflect a number of small changes.

Age	Current	Proposed
45	.030	.040
50	.100	.050
52	.100	.100
55	.300	.250
58	.150	.150
60	.300	.200
62	.250	.250
65	.500	.650
68	.500	.250
70	1.000	1.000

2. Rates of Disability: The following table compares the proposed disability rates to the current rates. The proposed rates are lower up to age 34 and higher thereafter. It is also assumed that the percentage of job-related disabilities is 95% (increased from 90%).

Age	Current	Proposed
20	.00410	.0020
30	.00504	.0040
40	.00608	.0070
50	.00712	.0100
60	.00780	.0080

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Summary of Assumptions (continued)

Group 4 - Specific Assumptions (continued):

3. Rates of Withdrawal: Current rates are strictly service based. The proposed rates will remain service based. The proposed rates are generally greater than the current rates.

Service	Current	Proposed
0	.044	.080
5	.037	.045
10	.029	.030
15	.022	.025
20+	.015	.040

4. Rate of Salary Increase: The following table compares current and proposed salary increase rates. The proposed rates are less than the current rates for years of service 0 to 2 and years of service 10 or more. The proposed rates are the same as the current rates for all other years of service.

Service	Current	Proposed
0	12.00%	10.00%
5	7.00%	7.00%
10	5.50%	5.25%
15	5.50%	5.25%
20+	5.50%	5.00%